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SUBJECT: GLOBAL WAR ON TERRORISM ASSESSMENT: OMAN

REF: STATE 60749

Classified By: Deputy Chief of Mission William R. Stewart for reasons 1.4 (b, c, d).

Summary and Overview

1. (C) Oman is a successful example of cooperation in the Global War on Terrorism (GWOT). Military cooperation is perhaps the brightest area of achievement owing to Oman's benefit from the Foreign Military Finance (FMF) program, which is beginning to fill gaping holes in its maritime and border security. Our base access agreement and Oman's willingness to host coalition ship visits is a key element in our GWOT efforts in this theater of operations. Substantial resource requirements remain, however, and full funding of our FMF requests are of critical importance. Oman's banking system enjoys a strong reputation for proper oversight and control, yet can benefit from technical assistance to develop a specific law on terror finance and to bring informal remittance systems under supervision. Training opportunities for the Omani police under DS's ATA program have brought strong dividends in terms of raising capabilities and enhancing cooperation, and need to be continued. State's EXBS program and Custom's Container Security Initiative (CSI) are key to addressing shortfalls in Oman's customs inspection regime.

2. (C) Counterterrorism cooperation with the Omani government is good, and their capabilities are as effective as limited resources and Oman's difficult geography allow. Oman is one of the very few states in the region not to have suffered a terrorist attack, owing at least in part to the success of internal security services in capturing suspected terrorists before operations could be launched. This achievement is all the more remarkable considering the prevailing security situation in neighboring Yemen and Saudi Arabia (with which Oman's shares long land borders), and the fact that the Sultanate straddles strategic sea lanes used by nationals from Pakistan, Iran, Somalia, and other countries of concern. Oman's willingness to cooperate in the Proliferation Security Initiative (PSI), as evidenced by its hosting a PSI-related air interdiction exercise in March, is a major success in our GWOT efforts in this strategic region. End summary and overview.

Military/Border Security

3. (S) Oman need only look to its immediate neighbors, particularly Saudi Arabia, to see the dire consequences of inaction and lack of cooperation in the GWOT. Although Oman is a strong USG partner in counterterrorism across the board, the military sphere is in many ways the most successful field of cooperation. The Sultanate gives the USG wide access to military bases, hosts port calls by coalition navies, and permits our storage of pre-positioned war readiness materiel (WRM). Oman has permitted the U.S. military to operate both combat and transport aircraft from the Sultanate, and supports multilateral joint-combined military exercises. Omani journalists have also taken part in media visits aboard USN vessels patrolling the region. All of these efforts have had direct and indirect benefits in the GWOT.

4. (S) Unfortunately, Oman's nearly 2000 km. long shoreline and nearly as lengthy terrestrial borders across hostile terrain far outstrip the limited financial and personnel resources of the Sultanate's 2.3 million population, despite its spending over 30 percent of the government's annual budget on security and defense. Oman is investing heavily in fast interdiction boats (USD 25.5M of FMF funds) and naval vessels, and is redeploying military forces to aid the overstretched police in guarding land borders with Yemen, Saudi Arabia and the UAE. It has spent USD 5.3M on tactical communications systems that facilitate command and control of special operations forces and aid interoperability with U.S. forces. Oman plans to invest USD 2.7M for night-vision devices for its navy, army and special forces. It has

participated in joint training exercises with U.S. forces with all of those assets currently in its inventory. Oman is also using CENTCOM funds to send a Navy captain to the NDU Counterterrorism Fellows Program, and to bring a Mobile Training Team to train the Royal Oman Police Coast Guard in boarding operations.

15. (S) But Oman still requires considerably more marine and air reconnaissance assets, as well as an integrated radar and camera surveillance system, to shore up coastal monitoring that persists as a vulnerability exploited by human smugglers. We anticipate that Oman will continue to employ its FMF resources to enhance these border security efforts. A critical boost to this endeavor would be certifying Oman for funding under Article 1033 of the Defense Authorization Act that would permit Oman's procurement of new communications and sensors to complete its USD 30M phased upgrade of the coastal surveillance system. Oman is also vulnerable to open border policies for GCC nationals that can make it difficult to track suspects from those states.

Terrorism Finance

16. (C) Oman is inhospitable terrain for would-be terrorist financiers. It is not a major center of financial activity, and it boasts a well-respected and stringent banking oversight regime. The local banking community is small (5 local and 9 foreign banks are in operation), and the Central Bank of Oman (CBO) has a reputation as one of the strictest in the region. Islamic banks are illegal, and Islamic charities and other organizations are denied access to Oman as a result of its strict laws on public associations. CBO officials have demonstrated their implementation of terror finance designations (under the UNSCR 1267 Committee), but to date no assets have yet been uncovered.

17. (SBU) Oman does not have a formal law criminalizing terror finance as it does for money laundering, but anti-terror laws are understood to encompass financial activities. One of our important bilateral goals is for Oman to develop a more explicit, legal prohibition against terrorist finance; this could be a prime area of cooperation for MENA/FATF in Bahrain, of which Oman is a member and early supporter. We continue to press Oman to ratify the International Convention for the Suppression of Terrorist Financing, one of the two remaining international CT conventions to which Oman is not yet a party.

18. (C) Another area of lingering concern is the alternative remittance system (i.e., hawalas and hundi), since such operations fall outside the well-regulated and carefully monitored formal banking system. The USG would be well-served in providing technical assistance to Omani officials to address this situation, possibly through the auspices of the G-8 Counterterrorism Action Group (CTAG) framework.

Intelligence/Law Enforcement

19. (S) The Omani security services are well-trained, well-funded and motivated to do their jobs, even if information-sharing and cooperation among them is sometimes wanting. The Omani Royal Office (akin to the NSC and CIA combined) also tackles security policy issues related to the GWOT, and has proven a reliable partner within the constraints of its resources. Though innately hesitant about sharing information on Omani citizens, the Omani services generally provide threat information as and when they deem appropriate if there is a connection to U.S. persons and interests in the Sultanate.

10. (C) Assistance from the Royal Oman Police (ROP) for the protection of U.S. personnel and facilities, including visiting ships, has been forthcoming whenever requested. There is no doubt that this cooperation and the ROP's professional capabilities have been greatly enhanced by the training support afforded under Diplomatic Security's Office of Anti-Terrorism Assistance Programs (DS/T/ATA). The ROP and other security agencies receive these opportunities extremely warmly, and the training has had a notable impact in their ability to detect, deter, and counterterrorist activity in this very challenging environment.

11. (SBU) Recent training programs under the Department's Export Control and Border Related Security (EXBS) program have revealed significant needs among ROP Customs officials in the areas of detecting and interdicting weapons, illicit cargo and WMD. Inspection of cargo containers, for instance, are still done manually with dog teams, limiting their volume to just 1 or 2 containers inspected each day. The container port in Salalah is fast becoming one of the leading transshipment ports of the region. Oman is therefore in

great need of additional EXBS programs, particularly those involving practical components taking place on-site at Omani ports. ROP Customs has also requested advanced equipment and training for use in cargo inspection and the identification of dual-use items. Oman formally requested to the U.S. Customs Commission in March to participate in the Container Security Initiative, which would be a tremendous benefit to these efforts.

Resource/Action Requirements

12. (S) Drawing from the above, the following summarizes our resource requirements:

-- Maritime and border security remain key vulnerabilities for which Oman requires substantial assistance to address. The bulk of our Foreign Military Finance requests (USD 71M in FY06, and USD 74M in FY07) are directly targeted at these needs and deserve full funding.

-- We need certification of Oman for funding under Article 1033 of the Defense Appropriation Act to complete a USD 30M phased upgrade of its coastal surveillance system.

-- We must include Omani ports (particularly Salalah) in the Container Security Initiative.

-- Oman can use technical assistance, either directly from the USG or multilaterally through the G-8 CTAG or MENA/FATF mechanisms, to improve terrorist finance legislation and address vulnerabilities from the alternative remittance system.

-- We require continued funding under the EXBS and DS/ATA programs for counterterrorism training of Oman's police and security forces and to enhance customs controls.

BALTIMORE